

Name of Committee: Town-School Partnership Committee

Meeting Date: February 1, 2013

Time: 10:00 a.m.

Meeting Location: Town Hall, Selectmen's Conference Room

Members Present:

Attendees indicated by x

Betsy DeWitt, Board of Selectmen Chair	x	Mel Kleckner, Town Administrator	x
Nancy Daly, Board of Selectmen	x	Bill Lupini, School Superintendent	x
Alan Morse, School Committee Chair	x	Harry Bohrs, Advisory Committee, Chair	x
Amy Kershaw, School Committee	x	Len Weiss, Advisory Committee	

Staff Present: Peter Rowe, Deputy School Superintendent; Sean Cronin, Deputy Town Administrator; Melissa Goff, Assistant Town Administrator; Stephen Cirillo, Finance Director; Michael D'Onofrio, Director of Administrative Services (School Dept)

Topic: Approval of minutes of 11-27-12

Unanimously approved.

Topic: FY14 Budget Update

Town Administrator Mel Kleckner provided an overview of the impact the Governor's proposed FY14 budget has on the Town's budget. He explained that the Governor's budget is ambitious and is great in terms of additional Local Aid for Brookline, but due to its reliance on proposed new taxes, the proposed level of Local Aid may not come to fruition. The TA plans on using a modified approach: assume growth in Ch. 70 aid of \$1.75M instead of the \$2.8M as proposed by the Governor. In addition, he will not assume the \$121K from the new "Annual Formula Local Aid" account the Governor proposed.

School Committee Chair Alan Morse asked about the Ch. 70 formula and how Brookline is benefitting from it. Deputy School Superintendent Peter Rowe explained the formula and how the "Aggregate Wealth Model" aims to bring all school districts to a point where 17.5% of their budget is funded by Ch. 70. Since Brookline is below the 17.5% threshold, additional Ch. 70 funding is required to get there.

TA Kleckner noted a point of concern is the "winners" in terms of increased Ch. 70 aid are the wealthier communities. Legislators representing less-wealthy communities may be inclined to fund Ch. 70 differently so that the Brooklines, Westons, Lexingtons, and Dovers do not benefit so greatly. Superintendent Bill Lupini explained that the plan has been to phase up to the 17.5% threshold over three years, so decision makers at the State knew the wealthier communities would benefit.

Deputy TA Sean Cronin reviewed the following memo with the Committee:

OFFICE OF SELECTMEN
MEMORANDUM

TO: Melvin A. Klecker, Town Administrator

FROM: Sean Cronin, Deputy Town Administrator

RE: **Governor's FY14 Budget (House 1)**

DATE: January 25, 2013

The Governor's FY14 \$36.46B budget was released Wednesday and includes the significant tax proposals¹ he unveiled during his State of the Commonwealth address. Overall, the budget reflects an increase in spending of \$2.3B (7%) from the FY13 estimated spending level. The table below shows the growth in expenditures and revenues for FY14:

	Change in <u>Millions</u>
Health Care Programs	\$1,120.8
K-12 Education (mostly Ch. 70)	\$267.0
Transportation	\$241.0
Higher Ed	\$152.0
Safety Net Programs (non-health care)	\$136.3
Early Education	\$131.0
Pensions	\$78.0
Employee/Retiree Health Care	\$73.4
Debt Service	\$61.9
General Gov't Local Aid	\$40.0
All Other Spending	\$34.0
Total Spending Growth	\$2,335.4
"Baseline" Tax Revenue (incl Cap Gains)	\$947.0
New Taxes	\$791.0
Revenue Anticipation Notes	\$400.0
Other New Revenue Initiatives	\$257.0
Federal Reimbursements	\$453.4
Other Non-Tax Revenue	\$31.4
Transfers In	(\$91.9)
Prior Year Funding for Non-Recurring Costs	(\$145.4)
One-Time Resources	(\$307.1)
Total Revenue Growth	\$2,335.4

Obviously, this budget proposal relies on the tax changes to fund such a significant increase (7%) in spending. According to the budget document, the budget uses \$779M from the proposed changes in Income and Sales taxes, plus a \$400M "advance" of future

¹ Most notably: increase in Income Tax rate from 5.25% to 6.25% coupled with changes in deductions and exemptions and the reduction in Sales Tax rate from 6.25% to 4.5% and its expansion to items such as candy and soda.

tax revenue² via a Revenue Anticipation Note (RAN) in order to fund increases in Transportation (\$231M), Higher Ed (\$152M), Early Ed (\$131M), and K-8 Ed (\$231M)³. The balance of the new tax revenue (approx. 1/3) goes toward funding growth in other areas of the budget (i.e., not toward “new investments”). In addition, a \$400M withdrawal from the Rainy Day fund is necessary to balance the budget.

According to the budget document, \$513M of one-time monies are used in the proposal, a reduction of \$307M from FY13. Of the \$513M, \$400M is the drawdown from the Stabilization Fund, which would leave a balance estimated at \$1B.

Gross Local Aid is increased by approximately \$271M (5%), due primarily to a \$226M (5.4%) increase in Chapter 70 funding. Unrestricted General Government Aid (UGGA) is level-funded at \$899M, but a new “Annual Formula Local Aid” is included at \$31M. The new formula is intended to provide a simple formula using a combined measure of property values and income to calculate each municipality’s relative ability to provide essential local services. As proposed, it intends to provide equitable distributions into the future, as each year the formula components will be updated and the total distribution of aid will be calculated using the updated components. This is in contrast to the existing allocation of UGGA, which is meant to maintain year-to-year consistency regardless of changes in a municipality’s circumstances and is no longer based on a rational funding formula.

Starting in FY15, an amount equal to 25% of the Annual Formula Local Aid account will be used to fund a new program of Incentive Aid for municipalities. The Incentive Aid program will “reward municipalities for meeting incentives focused on strong fiscal management, municipal health care cost management, and local government performance management, in line with initiatives of the Patrick-Murray Administration to change the way government does business.” Incentives announced early in FY14 will focus on strong fiscal management, municipal health care cost reform and local government performance management. Municipalities will then have the full year of FY14 in which to meet the incentives before Incentive Aid is provided for in the FY15 budget.

The Ch. 70 proposal increases aid by 5.4% from \$4.17B to \$4.4B. This level of funding results in every district receiving at least \$25 in additional aid per student and 179 districts receiving increases so that they can keep pace with increases in their foundation budgets. Some of the key points about the proposal include:

- The “Aggregate Wealth Model” used in the formula since FY07 continues to be in effect and for the first time is fully implemented. For municipalities with required contributions above their targets (Brookline is one of the 58), the

² Since the tax changes, if approved, would be in effect for half of FY14 (they would go into effect on 1/1/14), not all of the \$1.9B in new revenue would be available in FY14. The \$400M RAN would be paid back in FY15 (\$275M) and FY16 (\$125M) with the fully-annualized new tax revenue.

³ Based on an analysis by MassBudget, \$167M is needed for “maintenance growth” in Ch. 70. This would mean that \$64M (\$231M - \$167M) comes from the additional tax revenue. However, I do not see that mentioned anywhere in the budget document.

- requirement is reduced by 100% of the gap (i.e., Ch. 70 aid for those districts is increased so that Ch. 70 aid represents 17.5% of the foundation budget).
- Foundation Budgets are raised by an inflation factor of 1.55%.
- Foundation Enrollment grew by 0.6% although 47% of districts saw increases of as much as 11% percent. About half of this increase is due to the removal of the enrollment cap on pre-kindergarten regular education students.
- The foundation rate for out-of-district special education is increased by \$10,000, from \$25,848 to \$35,848.

When compared to the FY13 Post-9C cut levels⁴, all other Cherry Sheet accounts are level-funded, except for increases in Charter School Reimbursements (\$9.8M, 13.9%), Veterans Benefits (\$5.4M, 12.6%), and School Choice Receiving Tuition (\$4M, 5.8%) and a decrease in Racing Taxes (\$1.2M, 100%). In addition, Circuit Breaker (SPED) and METCO, both non-Cherry Sheet accounts, were level-funded (Circuit Breaker at \$231M and METCO at \$18.1M).

The budget also proposes to expand the Hotel/Motel Room Occupancy tax. Currently, properties such as rental vacation homes, corporate executive temporary apartments, time shares, and rented vacation condominiums are not subject to the tax. The proposal would expand the tax base to include these so-called transient accommodations and eliminate the existing statutory exemption for small bed and breakfast establishments with three bedrooms or less. The Administration calculates that this expansion could generate more than \$3.8M annually for the 176 municipalities that have opted to enact the local option tax.

IMPACT ON BROOKLINE

The Forecast presented on December 4, 2012 included a range of potential Local Aid possibilities, but focused on the scenario of level-funding of Unrestricted General Government Aid (UGGA) and a \$1M increase in Ch. 70. House 1 increases Chapter 70 by \$2.8M (31%), for reasons discussed below, and provides Brookline with \$120,753 from the new Annual Formula Local Aid account. In addition, the other minor Cherry Sheet accounts are reduced in total by \$7K (2.6%). The total increase in Gross Local Aid is \$2.9M (19.9%), resulting in \$17.5M in aid. Compared to the figures assumed in the Forecast, the Local Aid figures in the Governor's budget are \$1.9M higher.

Cherry Sheet Assessments total \$6.2M, an increase of \$135K (2.2%) from FY13. Compared to the figures assumed in the Forecast, they are \$10K lower. The net result is a year-over-year increase in Net Local Aid of \$2.8M (32%). When compared to what was included in the Forecast, there is a favorable swing of \$1.9M. The table that starts below and continues onto the following page shows how the House 1 Cherry Sheet compares to both the current FY and what we assumed in the Forecast:

⁴ In December, 2012, the Governor used his "9C" powers to make mid-year cuts to certain accounts. Among the accounts he cut were: Circuit Breaker (\$11.5M), McKinney-Vento Act (\$5.3M), Veterans' Benefits (\$1.3M), Charter School Reimb. (\$1M), and Regional School Transportation (\$1M).

	FY13 FINAL CHERRY SHEET	FY14 CHERRY SHEET BASED ON HI	VARIANCE FROM FY13	% VARIANCE FROM FY13	FY14 CHERRY SHEET EST. IN FORECAST	VARIANCE FROM HI	% VARIANCE FROM HI
<i>RECEIPTS</i>							
Ch. 70	8,949,381	11,729,843	2,780,462	31.1%	9,949,381	1,780,462	15.2%
Unrestricted General Gov't Aid	5,370,029	5,370,029	0	0.0%	5,370,029	0	0.0%
Annual Formula Local Aid	0	120,753	120,753	-	0	120,753	100.0%
Vets Benefits	103,202	84,663	(18,539)	-18.0%	103,202	(18,539)	-21.9%
Exemptions	38,557	38,730	173	0.4%	38,557	173	0.4%
Charter School Reimbursements	4,190	14,176	9,986	238.3%	4,190	9,986	70.4%
TOTAL RECEIPTS	14,465,359	17,358,194	2,892,835	20.0%	15,465,359	1,892,835	10.9%
<i>CHARGES</i>							
County	715,791	766,133	50,342	7.0%	733,686	32,447	4.2%
Air Pollution Dist.	24,993	26,600	1,607	6.8%	25,618	1,072	4.0%
MARC	18,502	18,965	463	2.5%	18,965	0	0.0%
RMV Surcharge	262,660	247,820	(14,840)	-5.6%	262,660	(14,840)	-6.0%
MBTA	4,965,929	5,019,840	53,911	1.1%	5,090,033	(70,193)	-1.4%
SPED	55,275	66,535	11,260	20.4%	56,657	9878	14.8%
School Choice Sending Tuition	5,000	10,000	5,000	100.0%	5,000	5,000	50.0%
Charter School Sending Tuition	39,669	66,750	27,081	68.3%	39,669	27,081	40.6%
TOTAL CHARGES	6,087,819	6,222,733	134,914	2.2%	6,232,287	(9,554)	-0.2%

	FY13 FINAL CHERRY SHEET	FY14 CHERRY SHEET BASED ON HI	VARIANCE FROM FY13	% VARIANCE FROM FY13	FY14 CHERRY SHEET EST. IN FORECAST	VARIANCE FROM HI	% VARIANCE FROM HI
<i>OFFSETS</i>							
School Lunch	27,780	28,666	886	3.2%	27,780	886	3.1%
Libraries	81,380	82,360	980	1.2%	81,380	980	1.2%
TOTAL OFFSETS	109,160	111,026	1,866	1.7%	109,160	1,866	1.7%
NET LOCAL AID	8,486,700	11,246,487	2,759,787	32.5%	9,342,232	1,904,255	16.9%
NET LOCAL AID W/O OFFSETS	8,377,540	11,135,461	2,757,921	32.9%	9,233,072	1,902,389	17.1%
GROSS LOCAL AID	14,574,519	17,469,220	2,894,701	19.9%	15,574,519	1,894,701	10.8%

Unlike last year, I do not recommend using the Local Aid figures from the Governor's budget in the Town's FY14 Financial Plan. I make that recommendation for the simple reason being the financial underpinnings of the Governor's budget is the proposed \$1.9B tax increase, and that proposal is certain to meet resistance in the Legislature. If the tax increases are not approved, then not only are the "investment" items at risk, but other parts of the budget will also be at risk since approx. 1/3 of the new tax revenue is going to support the existing budget.

If the Legislature does not support all of the proposed tax increases, then they will have to look at other areas of the budget, and two areas they could focus on that would impact us are the new "Annual Formula" account and Ch. 70:

- *Annual Formula Aid* – without new revenue, the Legislature would be hard pressed to appropriate \$31M for this new Local Aid program. Based on the Governor’s proposal, Brookline would receive \$120,753. I recommend against including that revenue source in the FY14 Financial Plan.
- *Ch. 70* – as proposed, the funding level allows for all districts to reach the 17.5% threshold called for under the Aggregate Wealth Model (i.e., Ch. 70 funds 17.5% of each district’s foundation budget). Without new revenue, the Legislature might not be able to fund this level of commitment and could instead recommend continuing to phase-up to the 17.5% level over a multi-year period, which would result in a smaller increase in FY14 than proposed by the Governor. Between FY12 and FY13, the Town went from 12% to 14%. I recommend we assume another 2 percentage point growth to 16%, which would result in a FY14 Ch. 70 appropriation of \$10.7M. While that amount is \$1M less than the \$11.7M proposed in the Governor’s budget, it does represent a \$1.75M (19.6%) increase and is \$750K more than we assumed in the Forecast.

CHERRY SHEET ACCOUNTS

Statewide, total Cherry Sheet Aid would total approximately \$5.57B⁵, an increase of \$275M (5%). Chapter 70 is increased to \$4.4B (+\$226.2M, 5.4%), Unrestricted General Government Aid is level-funded at \$899M, a new “Annual Formula Local Aid” account is funded at \$31M, and increases are realized in Charter School Reimbursements (\$9.8M, 13.9%), Veterans Benefits (\$5.4M, 12.6%), and School Choice Receiving Tuition (\$4M, 5.8%), partially offset by a decrease in Racing Taxes (\$1.2M, 100%). All other Cherry Sheet accounts are level-funded.

The specifics of the individual accounts are listed below:

- **Chapter 70** – total statewide funding is \$4.4B, an increase of \$226.2M (5.4%). For Brookline, there is a significant increase of \$2.8M (31.1%) to \$11.7M. The key factor that goes into the calculation of the allocation of the additional \$226.2M and positively impacts Brookline is the Aggregate Wealth Model used in the formula since FY07 is fully implemented. Any district with required contributions above their targets (82.5%), such as Brookline, has the requirement reduced by 100% of the gap (i.e., Ch. 70 aid for those districts is increased so that Ch. 70 aid represents 17.5% of the foundation budget). The other factor that positively impacts Brookline is the district’s Foundation Budget increases 6% and enrollment increased 3.6%.

With the Foundation Budget increasing so significantly over the past few years, the district has become a “Foundation Aid Community”, meaning Ch. 70 aid is required to bridge the gap between the foundation budget and the district’s required contribution. The table below shows how the district has gone from Required Net School Spending (NSS) as a percent of the Foundation Budget of 140% down to 100%:

⁵ This figure does not include SBA reimbursements, which are off-budget.

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Foundation budget	46,243,375	49,807,109	52,046,875	55,448,798	55,383,764	57,861,962	63,110,212	67,027,675
Required net school spending	64,819,179	63,319,142	60,268,078	60,526,653	59,137,816	59,481,712	63,110,212	67,027,675
NSS a % of Foundation	140.17%	127.13%	115.80%	109.16%	106.78%	102.80%	100.00%	100.00%

This is important because once NSS is equal to the Foundation Budget, Foundation Aid is required to get the district to the Foundation Budget. This is shown below, using the FY12, FY13 and FY14 calculations (it also shows how the result is significant increases for FY13 and FY14):

Prior Year Aid		Prior Year Aid		Prior Year Aid	
1 Chapter 70 +SFSF FY11	6,932,850	1 Chapter 70 FY12	6,932,850	1 Chapter 70 FY13	8,949,381
Foundation Aid		Foundation Aid		Foundation Aid	
2 Foundation budget FY12	57,861,962	2 Foundation budget FY13	63,110,212	2 Foundation budget FY13	67,027,675
3 Required district contribution FY12	52,548,862	3 Required district contribution FY13	54,160,831	3 Required district contribution FY14	55,297,832
4 Foundation aid (2 -3)	5,313,100	4 Foundation aid (2 -3)	8,949,381	4 Foundation aid (2 -3)	11,729,843
5 Increase over FY11 (4 - 1)	0	5 Increase over FY12 (4 - 1)	2,016,531	5 Increase over FY13 (4 - 1)	2,780,462
Chapter 70 Aid FY12		Chapter 70 Aid FY13		Chapter 70 Aid FY14	
sum of line 1 and 5	6,932,850	sum of line 1 and 5	8,949,381	sum of line 1 and 5	11,729,843

As stated above, I recommend against using the \$11.7M figure in the Financial Plan because the Governor's budget is so heavily dependent upon the proposed \$1.9B tax increase, and that proposal is certain to meet resistance in the Legislature. That could put this aggressive funding level of Ch. 70 at risk. Rather, I recommend we assume another 2 percentage point growth to 16%, which would result in a FY14 Ch. 70 appropriation of \$10.7M. While that amount is \$1M less than the \$11.7M proposed in the Governor's budget, it does represent a \$1.75M (19.6%) increase and is \$750K more than we assumed in the Forecast.

- **Unrestricted General Government Aid** – in FY10, Lottery and Additional Assistance were combined into one category called Unrestricted General Government Aid (UGGA). The Governor's proposal level-funds this account statewide at \$899M. For Brookline, FY14 is level-funded at \$5.37M.
- **Annual Formula Local Aid** – this new program is actually funded as part of the UGGA line-item at \$31M. The new program is intended to provide a simple formula using a combined measure of property values and income to calculate each municipality's relative ability to provide essential local services. The formula is:

$$[(\text{muni per capita income}/\text{statewide per capita income}) + (\text{muni EQV per capita}/\text{statewide EQV per capita})] \times \$10 \text{ per capita}$$

As proposed, it intends to provide equitable distributions into the future, as each year the formula components will be updated and the total distribution of aid will be calculated using the updated components. This is in contrast to the existing allocation of UGGA, which is meant to maintain year-to-year consistency regardless of changes in a municipality's circumstances and is no longer based on a rational funding formula. For Brookline, the formula yields \$120,753. As mentioned above, I recommend against including this revenue source in the Town's Financial Plan because the Governor's budget is so heavily dependent upon the proposed \$1.9B tax increase, and that proposal is certain to meet resistance in the Legislature.

- **Veterans' Benefits** – this line-item is increased \$5.4M (12.6%) to \$48.3M. According to the Preliminary Cherry Sheet issued by DLS, the Town will receive \$84,663, a decrease of \$18,539 (18%).
- **Property Tax Exemption Reimbursements** – these accounts, which reimburse municipalities, to a certain extent, for property tax exemptions for particular categories of taxpayers (elderly, veterans, widows, blind), are level-funded at \$25M statewide. According to the Preliminary Cherry Sheet issued by DLS, the Town will receive \$38,730, an increase of \$173 (0.4%).
- **Charter School Tuition Assessment Reimbursement** – this \$80.3M statewide account funds the reimbursement of the state assessment for students attending a Charter School, according to the following schedule:
 - 100% of the assessment in year 1;
 - 60% of the assessment in year 2;
 - 40% of the assessment in year 3;
 - 0% thereafter.

The \$80.3M represents an increase of \$9.8M (13.9%). According to the Preliminary Cherry Sheet issued by DLS, the Town will receive \$14,176, an increase of \$9,986 (238%).

- **School Lunch** – this offset item is level-funded at \$5.4M statewide. According to the Preliminary Cherry Sheet issued by DLS, Brookline stands to receive \$28,666 for this program, an increase of \$886 (3.2%).
- **Library Assistance** – this offset item is level-funded at \$6.8M statewide. According to the Preliminary Cherry Sheet issued by DLS, Brookline stands to receive \$82,360 for this program, an increase of \$980 (1.2%).
- **PILOT Payments** – this account is level-funded at \$26.3M. Brookline receives no funding from this account.
- **Regional Transportation** – this account is level-funded at \$44.5M. Brookline receives no funding from this account.

- **Regional Libraries** – this account is level-funded at \$9.2M. Brookline receives no funding from this account.

OTHER LOCAL GOVERNMENT-RELATED ACCOUNTS / ISSUES

1. **SBA** – due to the major reform approved in the Summer of 2004, there is no line-item in the budget for SBA reimbursements - - the funding was moved off-budget. Approx. one cent of the State sales tax is dedicated to the MSBA. The transfer from the State's General Fund to the SBA Fund is \$708M, an increase of approximately \$25M (4%).
2. **METCO** – this account is level-funded at \$18.1M statewide. In FY13, the Schools will receive approximately \$1.3M, so the same can be anticipated for FY14.
3. **SPED “Circuit Breaker”** – House 1 level-funds the “circuit breaker” reimbursement formula for SPED at \$230.5M. When compared against the original FY13 State budget, the FY14 amount is \$11.5M (4.8%) less. (The Governor cut the FY13 appropriation in December as part of his 9C cuts.) Because of normal cost increases for providing special education services, this level of funding represents an effective reduction in the percentage of costs reimbursed by the State, and funding would continue to be below the statutory aid level called for in State law. In FY13, the Schools will receive approximately \$2M.
4. **Shannon Grants** – these anti-gang grants are level-funded at \$6.3M. Brookline received \$13K in FY13.
5. **SAFE** – the Division of Fire Services' line-item language includes \$1.2M. In FY13, the Town received \$8K.
6. **Chapter 90 (Road Construction)** – As part of this budget proposal, the Governor announced a \$300M program for FY14, a \$100M increase from the current program. This additional funding is directly tied to the “21st Century Transportation” Plan, which depends on the new tax revenues proposed.
7. **Grants to Councils on Aging** – this line-item is level-funded at \$9.2M. In FY13, the Town will receive \$75K.
8. **Kindergarten Expansion Grants** – are level-funded at \$23.9M. In FY13, the Schools will receive approximately \$320K.
9. **School Health Services Grants** – there are two accounts that make up these grants: school-based health programs and smoking cessation. The school-based health programs line-item is increased by \$25K (0.2%) to \$11.6M while the smoking cessation program is increased \$104K (2.6%) to \$4.2M. In FY13, the

Town will receive approx. \$105K for School Nurses from the school-based health programs account.

10. **McKinney-Vento Act** – there is \$6.1M (level-funding) in the budget for funding the costs associated with the McKinney-Vento Act. When compared against the original FY13 State budget, the FY14 amount is \$5.3 (46.5%) less. (The Governor cut the FY13 appropriation in December as part of his 9C cuts.) The line-item reimburses school districts for transportation costs associated with educating homeless children.
11. **Early Education** – \$131M of new funding from the new taxes is dedicated to a number of early education programs. At this time, I do not know if these new programs would result in any additional funding for the Schools. I recommend we discuss these programs with them at the Town/School Partnership meeting.

CONCLUSION

The Governor's FY14 budget includes significant public policy proposals involving taxation and spending of the new tax revenue (\$1.9B when annualized). Because of that, there is a high probability that the legislative review process will result in different budget proposals by the House and/or Senate. Therefore, I recommend against using the Local Aid figures from the Governor's budget in our FY14 Financial Plan. Specifically, I believe we should not assume (1) any funding proposed under the new \$31M local aid program and (2) the Legislature funds Ch. 70 as aggressively as House 1 does.

If the Legislature chooses not to adopt all of the new revenue proposals, they might not be able to "fully-fund" the Aggregate Wealth Model for Ch. 70. Rather, they could continue phasing-up to the 17.5% level over a multi-year period, which would result in a smaller increase in FY14 than proposed by the Governor. Between FY12 and FY13, the Town went from 12% to 14%. I recommend we assume another 2 percentage point growth to 16%, which would result in a FY14 Ch. 70 appropriation of \$10.7M. While that amount is \$1M less than the \$11.7M proposed in the Governor's budget, it does represent a \$1.75M (19.6%) increase and is \$750K more than we assumed in the Forecast.

It is probably an understatement to say that this budget proposal is the most aggressive budget offered in many years. The Governor has a vision and his budget is the blueprint for it. We will know in the Spring whether or not the Legislature (and the public) will go along with the \$1.9B tax package. Until that time, I believe we need to be careful in what Local Aid figures we build into the Town's FY14 budget.

If you have any questions on any of the above and/or other information related to the Governor's proposal, please let me know.

Deputy TA Cronin then reviewed the Town/School Split sheet and explained that the end result is a School budget increase of \$3.467M (4.4%). He also noted that some changes in the numbers have been made since the Forecast was presented in December:

- increase in Local Receipts of \$152K, primarily from the remaining 121A Agreement and Benefit Reimbursements
- increase in State Aid of \$774K from Ch. 70
- increase in Group Health Insurance of \$266K, which is required primarily because of an increase in the number of School Department enrollees in FY13 (60, or 45 more than budgeted). The increased base from FY13 then increases the budget for FY14.
- increase in on-going Pension funding of \$200K
- increase in on-going OPEB funding of \$200K

He explained how he held the School budget harmless from the additional \$200K in on-going funding for Pensions and OPEB's; the Town side absorbed all funding. He also explained the importance of having the budget include additional funding for these two budget items. The Town must continue to be aggressive in funding these liabilities. School Committee member Morse asked how much the School budget was saved by having the Town absorb these costs. The answer was approx. \$150K.

The Committee discussed the Town's progress toward reaching its ARC for OPEB's. Deputy TA Cronin, Finance Director Stephen Cirillo, and Selectwoman Daly explained how with the additional funding included in the base appropriation over the past few years (above the original plan to annually increase the OPEB line-item by \$250K), the Town will reach its ARC in approx. 10 years. This is faster than projected by the OPEB Task Force when the original funding plan was developed. Advisory Committee Chair Harry Bohrs asked about the likelihood of any OPEB reforms being adopted by the State. TA Kleckner explained that the special State commission studying the issue has presented its recommendations and the Governor is expected to file a bill that includes the proposed reforms. He noted that with both bi-partisan support and support from labor and management, there is a strong likelihood that the proposal will make it through the Legislature. He summarized the reform as (1) increasing from 10 years to 20 the years of service required to be eligible for health insurance as a retiree, (2) increasing from 55 years of age to 60 the retirement age required to be eligible for health insurance as a retiree, and (3) pro-ration of retiree health insurance based on years of service.

TA Kleckner noted that the budget assumes a 5% increase in GIC rates, something he hopes will end up being lower once the GIC approves rates in March. Deputy TA Cronin added that each point is worth approx. \$250K.

Superintendent Lupini stated that the FY14 School appropriation increase of \$3.467M results in a deficit of approx. \$2M. He and Deputy Superintendent Rowe explained the following:

\$2.3M in Collective Bargaining costs
\$0.75M in net Steps

\$0.75M of costs from enrollment growth
\$0.70M in SPED cost increases

With a total base growth of \$4.5M, there is a gap of approx. \$1M. However, there are other cost pressures and programmatic growth that push the deficit closer to \$2M.

When asked if the Governor's proposals to increase funding for early ed programs would result in any funding for Brookline, Superintendent Lupini and School Committee member Kershaw responded they will not. The Governor's proposals are geared mainly toward assisting parents afford early ed programs. Superintendent Lupini also expressed disappointment with the level-funding of METCO and Circuit Breaker.

Topic: FY14-FY19 CIP Update

Deputy TA Sean Cronin reported that Free Cash was certified at \$9.6M, an amount that is \$2.1M more than the amount used in the Forecast / Preliminary CIP. He explained that the CIP proposed in the Financial Plan will use \$1.1M of the additional Free Cash to pull projects from FY15 to FY14, then FY16 to FY15, etc. The net effect of this action is to take some pressure off of the out-years of CIP, which are "tight" primarily due to the debt service associated with the Devotion School project. He also noted that the School Dept. and the Police Dept. are discussing school security needs.

Topic: Update on the Brookline School Population and Capacity Exploration (B-SPACE) Committee

School Committee Chair Morse provided the Committee with an update of the work to-date of the B-SPACE Committee. Two meetings have been held, with a focus on historical / projected data trends and how the projections show the continued need to find additional classroom space. The B-SPACE Committee was also given a presentation on CIP funding. He noted that the B-SPACE Committee will be looking at all options with a set of fresh eyes. At least one member of the B-SPACE Committee who was skeptical of the projections going in has already come to realize that the projections are sound and are very problematic. Lastly, Committee Chair Morse stated that the B-SPACE Committee is focusing on how to best let the community know about the magnitude of the problem.

The Committee adjourned at 11:30 p.m.